

Message Text

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ACTION ARA-10

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FM AMCONSUL SAO PAULO
TO SECSTATE WASHDC 6326
INFO AMEMBASSY BRASILIA
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CONFIDENTIAL SAO PAULO 1483

E.O. 11652: GDS

TAGS: PINT, ECON, BR

SUBJECT: FORMER BANK OF BRASIL PRESIDENT VIEWS THE POLITICAL SCENE

SUMMARY: FORMER BANK OF BRAZIL PRESIDENT NESTOR JOST BELIEVES
RIGHT WING MILITARY AND BUSINESS OPPOSITION TO PRESIDENT GEISEL
HAS ABATED AS A RESULT OF HIS USE OF AI-5 IN THE WILSON CAMPOS
CASE, A POPULAR ACT BY THE PRESIDENT. JOST SEES NO CONDIDATE
FOR THE ARENA PRESIDENCY WHO CAN LEAD THE PARTY TO VICTORY IN
1978. HE CONSIDERS THE SUGGESTION OF FORMER PRESIDENT MEDICI
FOR THE ARENA PRESIDENCY LUDICROUS. JOST IS SERIOUSLY CONCERNED
ABOUT RISING RATES OF INFLATION IN BRAZIL. END SUMMARY.

1. FORMER BANK OF BRAZIL PRESIDENT AND UNSUCCESSFUL ARENA
SENATORIAL CANDIDATE IN RIO GRANDE DO SUL, NESTOR JOST, CAME
TO SAO PAULO JULY 18 IN HIS NEW CAPACITY AS PRESIDENT
DESIGNATE OF SOUTHWIRE DO BRASIL, A SUBISIDIARY OF SOUTHWIRE
OF GEORGIA. WE RESUMED OUR ACQUAINTANCE AND CONTINUED OUR
PREVIOUS POLITICAL DISCUSSIONS. HE WAS MUCH MORE RELAXED
AND EVIDENTLY ENJOYING HIS NEW STATUS OF MULTINATIONAL AND
MULTI-COMPANY PRESIDENT. HE SAID OPENLY THAT HE WAS NOT AS CONCERNED
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DURING OUR LAST CONVERSATION.

2. JOST BELIEVED THAT THE RIGHTIST DISSATISFACTION AMONG THE MILITARY HAD ABATED CONSIDERABLY SINCE GEISEL'S USE OF AI-5 IN THE WILSON CAMPOS CASE, ALTHOUGH IT WAS STILL THERE. THE USE OF AI-5 WAS VERY POPULAR AND SHOWED GEISEL WAS A CONSERVATIVE, WHO WAS NOT AFRAID TO USE HIS POWER. OPPOSITION WAS NOWHERE NEAR AS VIRULENT AS DURING THE PERIOD IN WHICH SLANDEROUS PAMPHLETS HAD BEEN CIRCULATED AMONG ARMY OFFICERS ATTACKING GENERAL GOLBERI. GOLBERI WAS, OF COURSE, NOW OUT OF THE LINE OF FIRE. MANY INDUSTRIALISTS AND BUSINESSMEN WERE SYMPATHETIC TO THE RIGHTIST LINE AND ESPoused GREATER DISCIPLINE, FEARING THE MERGENCE OF STRIKES IF "DISTENSION" CONTINUED.

3. MUCH OF THE CONVERSATION CONCERNED THE FUTURE ARENA PRESIDENT. JOST, WHO LAUGHED OFF ANY PERSONAL INTEREST IN THE POST (AND HIS DEFEAT PRACTICALLY ELIMINATES HIM), SAID NONE OF THE PROPOSED CANDIDATES COULD LEAD THE ARENA TO VICTORY IN 1978. MARSHAL CORDEIRO HAD BEEN OFFERED THE POST, BUT HAD PROPERLY DECLINED BECAUSE OF HIS AGE. VIANNA WAS EMBROILED IN HIS OWN STATE AND WAS OUT OF TOUCH. CELIO BORJA HAD DEMONSTRATED HIS INCOMPETENCE IN THE CHAMBER OF DEPUTIES, AND IN FACT, HAD BEEN PICKED BECAUSE HE WAS RATHER A NON-ENTITY. HERBERT LEVY HAD MANY PERSONAL MERITS AND WOULD TRAVEL, BUT HE DID NOT HAVE THE PERSONAL TOUCH WITH MANY OF HIS FELLOW POLITICIANS. HIS PERSONAL PREFERENCE WAS FOR JARBAS PASSARINHO, WHO HAD ACCESS TO THE MILITARY (MANY OF THE PRESENT SENIOR GENERALS WERE HIS COLEAGUES), AND HE WAS THE ONLY ONE WHO COULD HOPE TO ATTRACT THE YOUTH AND THE WORKING CLASS. BUT WHEN ALL WAS SAID AND DONE, THERE WAS REALLY NO ONE IN THE ARENA WHO COULD DO THIS.

4. WHILE IN BRASILIA RECENTLY ON SAOUTHWIRE BUSINESS, HE HAD DISCOVERED THAT MANY OF HIS FORMER PARLIAMENTARY COLLEAGUES HAD BEEN TO SEE PRESIDENT GEISEL, BUT NONE OF THEM HAD BEEN FORTHCOMING IN TELLING THE PRESIDENT WHAT WAS WRONG WITH THE COUNTRY OR THE PARTY. THEY SEEMED TO EXPECT REFORMS TO BE HANDED DOWN FROM ON HIGH. HE KNEW THE PRESIDENT WELL, AND THE PRESIDENT WAS SERIOUSLY INTERESTED IN DIALOG AND CONFIDENTIAL

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LISTENING TO VIEWS ON THE PRESIDENCY OF THE ARENA PARTY AND OTHER ISSUES. IT WAS A TRAGEDY THAT A POLITICAL PARTY COULD NOT PICK ITS OWN PRESIDENT OR EVEN SUGGEST NAMES. EVERYONE DEFERRED TO THE PRESIDENT ON EVERYTHING.

5. SOME ARENA PARTY MEMBERS HAD SUGGESTED FORMER PRESIDENT MEDICI AS ARENA PARTY PRESIDENT, BUT THIS WAS LUDICROUS.

AS PRESIDENT, MEDICI HAD BEEN ABOVE PARTY MATTERS. FOR HIM TO ACCEPT THE PARTY PRESIDENCY UNDER GEISEL, WITH WHOSE POLICY HE DID NOT AGREE, WOULD BE INCONCEIVABLE. JOST HAD RECENTLY DINED IN RIO WITH MEDICI AND COULD STATE CATEGORICALLY THAT HE WAS NOT INTERESTED IN POLITICS. WHY, MEDICI WOULD BE INSULTED AT BEING OFFERED THE PRESIDENCY OF ARENA, AND JOST HAD SO TOLD HIS COLLEAGUES RECENTLY IN BRASILIA WHEN SOME OF THEM HAD SUGGESTED MEDICI'S NAME.

6. JOST WAS SERIOUSLY CONCERNED ABOUT THE RETURN OF INCREASING RATES OF INFLATION IN BRAZIL. HE POINTED OUT THAT INFLATION SAPPED WORKING CAPITAL IN MEDIUM SIZED PRIVATE BRAZILIAN FIRMS. NO WONTER THAT AN EFFICIENT FAMILY CONTROLLED FIRM LIKE CONSUL IN JOINVILLE HAD SOLD OUT TO PHILLIPS. IT WAS NOT ECONOMIC IMPERIALISM BUT A RATIONAL DESIRE BY THE BRAZILIAN ENTREPENEUS TO MAXIMIZE PROFITS FRM THEIR OWNERSHIP INTEREST. THEY COULD NOT AFFORD TO EXPAND BY TAKING LOANS AT 36 PERCENT PER ANNUM INDEFINITELY AND PREFERRED TO TAKE IN A FOREIGN PARTICIPATION. HE WAS TRYING TO EXPLAIN THE FACTS TO HIS ASSOCIATES, BUT WAS HAVING A HARD TIME. THE IMPORTANT THING WAS TO CONTROL INFLATION.

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